

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Katie J. Sieben  
Valerie Means  
Matthew Schuerger  
Joseph K. Sullivan  
John A. Tuma

Chair  
Commissioner  
Commissioner  
Commissioner  
Commissioner

In the Matter of the Application by  
CenterPoint Energy Resources Corp., d/b/a  
CenterPoint Energy Minnesota Gas for  
Authority to Increase Natural Gas Rates in  
Minnesota

ISSUE DATE: March 1, 2021

DOCKET NO. G-008/GR-19-524

ORDER ACCEPTING AND ADOPTING  
AGREEMENT SETTING RATES, AND  
INITIATING DEVELOPMENT OF  
CONSERVATION PROGRAMS FOR  
RENTERS

**PROCEDURAL HISTORY**

**I. Initial Filings and Orders**

On September 26, 2019, CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas (CenterPoint or the Company)—an indirect subsidiary of CenterPoint Energy, Inc. (Parent Company)—filed a request for a general increase in its natural gas rates. Based on a rate of return on common equity of 10.15%, the Company requested an increase over existing rates of approximately \$62.0 million annually, or 6.8%. The filing included a proposed schedule of interim rates to be in effect until the Commission established new rates.

On the same date, CenterPoint Energy filed a petition to establish a new base cost of gas to be implemented at the same time as the new interim rates schedule. In a separate docket, the Commission issued an order dated December 18, 2019, granting the petition and directing the utility to periodically update the commodity cost of gas.<sup>1</sup>

Also on December 18, the Commission issued three orders in this case:

- An order finding the rate-case filing substantially complete and suspending the proposed final rates.

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<sup>1</sup> *In the Matter of the Application of CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas, to Establish a New Base Cost of Gas and Reset the Purchased Gas Adjustment to Zero, to Coincide with the Implementation of Interim Rates in Its General Rate Case Filing, in Docket G-008/GR-19-524, Docket No. G-008/MR-19-525, Order Setting New Base Cost of Gas (December 18, 2019).*

- A notice and order for hearing, referring the case to the Office of Administrative Hearings for contested-case proceedings.
- An order setting interim rates to take effect on January 1, 2020.

## **II. The Parties and Their Representatives**

The following parties appeared in this case:

- CenterPoint Energy, represented by Eric G. Swanson, Elizabeth H. Schmiesing, and Joseph M. Windler of Winthrop & Weinstine, P.A.
- The City of Minneapolis (City), represented by Jocelyn E. Bremer, Assistant City Attorney.
- Minnesota Department of Commerce (the Department), represented by Richard E. B. Dornfeld, Cha Xiong, and Katherine M. Hinderlie, Assistant Attorneys General.
- Office of the Attorney General–Residential Utilities Division (OAG), represented by Peter G. Scholtz and Max H. Kieley, Assistant Attorneys General.
- Suburban Rate Authority, represented by James M. Strommen and Joseph L. Sathe of Kennedy & Graven, Chartered.
- Minnesota Center for Environmental Advocacy, Fresh Energy, and the Sierra Club (the Clean Energy Organizations, or CEOs), represented by Amelia J. Vohs.

## **III. Proceedings Before the Administrative Law Judge**

The Office of Administrative Hearings assigned Administrative Law Judge (ALJ) Eric L. Lipman to hear the case.

Other than the Suburban Rate Authority, all parties filed direct and rebuttal testimony prior to the opening of evidentiary hearings. The ALJ held public hearings in the case—via an interactive telephone and internet, using a video conferencing program—at the following times:

- July 28, 2020, at 1:00 p.m. and 6:00 p.m.
- July 29, 2020, at 5:00 p.m.
- July 30, 2020, at 6:00 p.m.

On August 12, 2020, CenterPoint Energy updated its estimate of the commodity cost of gas.

On August 21 and 24, 2020, the parties engaged in mediation.

On August 27, 2020, the parties filed notice that they had reached a settlement on all contested issues other than the City’s proposed Tariff-on-Bill Financing (TOB) program (Settlement).

On September 2, 2020, the City filed its stipulation with CenterPoint Energy regarding the TOB program design, listing features that the two parties agree should be included in the program.

On September 9, 2020, the ALJ convened an evidentiary hearing via a video conferencing platform. During the hearing, the parties' hearing exhibits, consisting of direct and rebuttal testimony, work papers, attachments, appendices, schedules, and other supporting materials, were received into the record. Additionally, CenterPoint Energy and the City offered witnesses for cross-examination regarding both the TOB program as initially proposed and the TOB stipulation.

On September 17, 2020, the parties filed documents delineating the terms of the Settlement, included conforming financial schedules.

#### **IV. Public Comments**

At the beginning of each of the public hearings, the parties and Commission staff made brief introductory remarks and were available throughout the hearing to answer questions.

Many members of the public spoke at the public hearings, and written public comments are filed in the case record. In addition, during the July 30 public hearing the ALJ granted 90 minutes to the Sierra Club and Community Power to present a series of recorded videos in lieu of live public testimony. In general, public commenters opposed the rate increase, arguing that it would compound the burdens of the depressed economic circumstances triggered by the COVID-19 pandemic.

Finally, the Commission received a variety of public comments regarding the TOB proposal, including comments from the following entities:

- the Alliance for Sustainability;
- the Citizens Utility Board;
- the City of St Louis Park;
- Community Power, the Neighborhood Hub, InquilnXs UnidXs por Justicia, the Corcoran Neighborhood Organization, Communities Organizing Latinx Power and Action, the Nokomis East Neighborhood Association, Native Sun, and the North American Water Office;
- Cooperative Energy Futures;
- Energy CENTS Coalition and the Minnesota Community Action Partnership;
- the Legal Services Advocacy Project;
- Minneapolis Climate Action;
- Minnesota Realtors; and
- the Suburban Rate Authority.

#### **V. Proceedings Before the Commission**

On November 20, 2020, the ALJ filed his Findings of Fact, Conclusions and Recommendation to Approve the Parties' Settlement (ALJ's Report). The ALJ recommended that the Commission approve both the Settlement and the TOB stipulation.

On December 7, 2020, the Commission received exceptions to the ALJ's Report from all parties, as well as from participants.

On December 24, 2020, the City filed revised exceptions.

On January 12 and 14, 2021, the Commission heard oral argument from and asked questions of parties and participants. The Commission received additional written comments from the Alliance for Sustainability; CenterPoint Energy and the City; and Community Power. The record closed under Minn. Stat. § 14.61, subd. 2, on January 14.

Having examined the entire record in this case, and having heard the arguments of the parties and participants, the Commission makes the following findings, conclusions, and order.

## **FINDINGS AND CONCLUSIONS**

### **I. Summary of Commission Action**

The Commission will approve the proposed settlement of the rate case, albeit with some exceptions and clarifications.

But the Commission will decline to adopt the TOB proposal or stipulation on the basis of the current record. Instead, the Commission will direct parties and stakeholders to further develop conservation proposals designed to address the needs of renters.

### **II. The Legal Standard**

Under the Public Utilities Act, companies seeking a rate increase have the burden of proof to show that the proposed rate change is just and reasonable.<sup>2</sup> Any doubt as to reasonableness is to be resolved in favor of the consumer.<sup>3</sup>

The Act encourages settlements. Before beginning contested case proceedings on a general rate case, Administrative Law Judges are required to convene a settlement conference for the purpose of encouraging settlement of some or all of the issues in the case. They are authorized to reconvene the settlement conference at any point before the case is returned to the Commission, at their own discretion or at the request of any party.<sup>4</sup>

The Commission is authorized to accept, reject, or modify any agreement by the parties. It can accept agreements only upon finding that to do so is in the public interest and is supported by substantial evidence.<sup>5</sup>

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<sup>2</sup> Minn. Stat. § 216B.16, subd. 4.

<sup>3</sup> Minn. Stat. § 216B.03.

<sup>4</sup> Minn. Stat. § 216B.16, subd. 1a(a).

<sup>5</sup> Minn. Stat. § 216B.16, subd. 1a(b).

The Commission recognizes that resolving disputed issues in rate cases is fundamentally different from resolving disputes between private litigants:

[T]he Commission must apply a different standard than is normally used by the courts. Unlike the traditional function of civil courts, the Commission's primary function is not to resolve disputes between litigants. Instead, it is an affirmative duty to protect the public interest by ensuring just and reasonable rates.<sup>6</sup>

### **III. The Settlement**

Overall, the parties propose reducing the proposed increase in CenterPoint Energy's annual revenue requirement from \$62.0 million, a 6.8% increase, to \$38.5 million, a 4.7% increase. This overall reduction came from numerous discrete adjustments. To raise these sums, the Settlement would increase the revenues to come from each class of customers by an equal percentage (excluding revenues related to Conservation Improvement Programs, or CIPs). But the Settlement would maintain CenterPoint Energy's current monthly fixed charges for its Residential, Commercial & Industrial A and Commercial & Industrial B classes.

The Settlement addressed roughly 20 discrete financial issues; the cost of capital; the class cost-of-service study; sales forecasts; rate design; and refund of sums that the Company collected in interim rates, to the extent that those rates exceed the final rates resulting from this proceeding.

After reviewing the parties' testimony, the ALJ recommended that the Commission approve the Settlement.

### **IV. Service Quality**

During oral arguments, CenterPoint Energy presented information about its pattern of expenditures for operations and maintenance, and the relationship of these expenditures to maintaining service quality. The Company and the Commission also addressed changes and potential changes announced by CenterPoint Energy's Parent Company—in particular, the "Delivering With Focus" plan presented to investors on December 7, 2020, and the 2021–2025 Capital Budget recommendations of its Business Review and Evaluation Committee. In response to Commission questions, CenterPoint Energy agreed to prepare and file additional information, as follows.

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<sup>6</sup> *In the Matter of a Petition by the U.S. Department of Defense, the General Services Administration, and All Other Federal Executive Agencies of the United States Challenging the Reasonableness of the Rates Charged by Northwestern Bell Telephone Company*, Docket No. P-421/CI-86-354, Order Accepting Offer of Settlement (February 11, 1987) at 3; see also *In the Matter of the Application of Interstate Power Company for Authority to Change its Rates for Natural Gas Service in the State of Minnesota*, Docket No. G-001/GR-90-700, Order Accepting and Adopting Stipulation and Offer of Settlement (June 27, 1991) at 6–7.

First, CenterPoint Energy agrees to expand the types of information it will provide in its next Service Quality Report.<sup>7</sup> Specifically, the Company agrees to provide data on the number of Company employees and designated full-time equivalents (FTEs) providing direct customer service, maintenance, and installations in Minnesota over the past five years, along with the general regions of the state where these workers are located. The Company also agrees to provide a narrative explaining any historical trends and plans for these Minnesota employees in light of recent plans and recommendations publicized by CenterPoint Energy's Parent Company.

Second, CenterPoint Energy agrees to provide additional information in the initial filing of its next rate case, or by January 1, 2022, whichever occurs first. On that occasion, CenterPoint Energy will provide the following:

- A. The Company's actual operation and maintenance expenditures in Minnesota in each of the past five years, compared to the operation and maintenance expenditures that CenterPoint Energy included in the test year of this rate case.
- B. The number of Company employees and the designated full-time equivalents (FTEs) directly performing maintenance and installations in Minnesota, and their locations by region in Minnesota.
- C. As it relates to the recent plans of CenterPoint Energy's Parent Company, a narrative explaining any changes to operations and maintenance budgets and the number of maintenance employees, and the plan's consequences for future budgets and personnel in Minnesota.
- D. A narrative explaining the Parent Company's debt-to-equity ratio, and a discussion of the anticipated consequences of this ratio, resulting from the plans identified in CenterPoint's "Delivering With Focus" plan presented to investors on December 7, 2020, and its 2021–2025 Capital Budget recommendations of its Business Review and Evaluation Committee or any modifications to those plans and recommendations.
- E. A review of capital investments in Minnesota, both in aggregate and as a percentage of the Parent Company's investments in capital projects, over the past five years.
- F. An estimate and a narrative describing capital investments CenterPoint Energy plans to make, both in aggregate and as a percent of the Parent Company's investments in capital projects.

## **V. Tariff on Bill Financing**

### **A. TOB Proposal and Stipulation**

In direct testimony, the City proposed developing a pilot program to encourage Minneapolis homeowners and renters to invest in making their homes more energy efficient. This "Tariff on

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<sup>7</sup> Each May 1, Minnesota's regulated natural gas utilities file reports on the quality of their service during the prior year. See for example, Docket No. G-008/M-20-453, *In the Matter of CenterPoint Energy's Natural Gas Service Quality Report for 2019*.

Bill Financing” proposal would provide for CenterPoint Energy to play a role in financing capital improvements, and to recover these costs from each participating customer on the customer’s utility bills. Failure to pay could result in disconnection of utility service, but the program is designed to provide cost savings that would more than offset program costs.

As designed, participating customers would benefit through improved access to credit so that projects that would reduce each customer’s energy bills can be financed. And society would benefit through improved housing stock, reduced demand for energy and utility capacity, reduced emissions of greenhouse gasses,<sup>8</sup> and reduced racial inequities arising from inadequate access to credit. According to the City, similar programs are being implemented in Arkansas, Hawaii, Kansas, Kentucky, Missouri, and New Hampshire.

On September 2, 2020, CenterPoint Energy and the City filed a stipulation that, if approved, would establish a framework for developing a 3-year TOB pilot program. These parties proposed enrolling a minimum of 500 participants in the first year, 1,000 in the second, and 1,500 in the third. To qualify, a participant would need to pursue energy efficiency projects that would generate savings forecast to exceed costs by at least 25 percent. The program would be available to Minneapolis homeowners as well as renters, provided that a renter’s landlord would consent to participating in the program.

The program would include annual reviews to ensure that each participant is realizing the expected cost savings, an annual project evaluation filed with the Commission, and an evaluation of the program to be conducted by a third party. CenterPoint Energy seeks deferred accounting for the program, which would permit the utility to recover the program’s accumulated costs in a future rate case.

The proponents would hope to explore expanding the program beyond CenterPoint Energy’s customers in Minneapolis—perhaps making it available in other communities, and perhaps addressing improvements in electric efficiency, too.

The ALJ recommended that the Commission approve the stipulation—but that CenterPoint recover program costs solely from ratepayers in Minneapolis, where the program would be offered.

## **B. Comments on the Proposal and Stipulation**

### **1. Proponents**

The initial TOB proposal, or the later stipulation, received support from the Alliance for Sustainability; CenterPoint Energy; the Citizens Utility Board; the City; Community Power on behalf of itself and the Neighborhood Hub, InquilinXs UnidXs por Justicia, Corcoran Neighborhood Organization, Communities Organizing Latinx Power and Action, Nokomis East Neighborhood Association, Native Sun, and the North American Water Office; Cooperative Energy Futures; Minneapolis Climate Action; and dozens of written and video comments from individual members of the public.

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<sup>8</sup> Burning natural gas produces carbon dioxide (CO<sub>2</sub>) emissions, a gas that absorbs and retains heat much like a greenhouse does. The Legislature has declared a goal of reducing greenhouse gas emissions throughout the state to 20% of 2005 levels by 2050. See Minn. Stat. § 216H.02, subd. 1.

Proponents generally favor TOB as a means of unlocking a new source of capital to pursue measures that would save costs, promote equity, and avoid needless environmental harms. They argue that these opportunities for mutual benefit remain undeveloped because many residents—especially Indigenous, Black, Latinx, and Asian American people—lack sufficient access to capital. While proponents generally praise existing programs assisting low-income ratepayers, they argue that these programs lack sufficient funds to meet customer needs. In contrast, proponents argue, a TOB program would harness a new source of funds—private capital—for a social purpose. And proponents argue that the Commission should be willing to pursue more innovative policies because Minnesota is falling short on its goals to curb greenhouse gas emissions.

Procedurally, proponents argue that the TOB proposal and stipulation reflect years of negotiations and stakeholder feedback, and the Commission has legal authority to adopt the program.

Finally, proponents note that the ALJ’s Report recommends that the Commission approve a TOB pilot program—albeit with modifications to prohibit CenterPoint Energy from seeking cost recovery from ratepayers in areas where the program is not offered.

## **2. Opponents**

The stipulation is opposed by the Department; the Energy CENTS Coalition and the Minnesota Community Action Partnership; the Legal Services Advocacy Project; Minnesota Realtors; the OAG; the Suburban Rate Authority; and one individual member of the public. While expressing support for the TOB’s objectives, opponents cite various reasons the Commission should not adopt the stipulation as proposed. And while the Citizens Utility Board supports TOB in principle, it expressed many of the same concerns raised by the opponents.

Opponents raise two procedural concerns. First, opponents argue that the TOB issue is not ripe for review. The issue arose initially in the City’s direct testimony. According to opponents, this was too late to permit a full consideration of the issues—and too late to permit potentially interested parties to intervene in the case. For example, the Legal Services Advocacy Project argues that the proposal demonstrates insufficient knowledge of the science of energy efficiency in cold climates such as Minnesota. Perhaps as a result of this truncated process, opponents argue, the stipulation provides insufficient detail to permit evaluation of the proposal. Indeed, the proponents concede this point when they call for CenterPoint Energy to subsequently file a detailed TOB tariff for *additional* Commission review and approval. Opponents recommend that the Commission defer acting on the stipulation until the proposal has been further developed—at a minimum, until CenterPoint Energy has drafted actual tariff language, and drafted language to notify potential participants about the program’s potential benefits, risks, and requirements.

As a second procedural matter, opponents question whether the Commission has legal authority to approve a TOB program. Some commenters recommend that the Commission seek more explicit statutory authority from the Legislature. Even if courts would ultimately affirm the Commission’s authority, opponents argue that the program could begin only after expending time and money resolving the legal disputes—resources that might be better expended on expanding existing energy conservation programs.



In addition, opponents raise substantive concerns with the Stipulation. They object that the program may saddle low-income participants with debts the participants may be unable to afford, and this could lead to the disconnection of utility services. These commenters argue that the program fails to protect participants by, for example, failing to provide for an independent party to evaluate any participant's estimates of energy savings to be generated by the program.

In addition, opponents argue that the program would complicate the sale of dwellings that are subject to a TOB obligation. It might also complicate the circumstances of tenants that leave an apartment after having incurred a TOB obligation, and tenants moving into an apartment subject to a TOB obligation.

Opponents also argued that it would be inequitable to recover the program's costs from ratepayers throughout CenterPoint Energy's service area, when the program would be available solely to residential customers in Minneapolis.

Opponents note that, in contrast to the TOB proposal, the Commission has had long experience with Conservation Improvement Programs (CIPs). Under Minn. Stat. § 216B.241, subd. 7, CIPs can be designed to target assistance to low-income renters at no cost to the renter. If CenterPoint Energy proposes to do more to help low-income customers, opponents argue, the utility should simply expand these existing programs.

## **VI. Commission Action**

### **A. Rate Case Settlement**

#### **1. In General**

Having reviewed the Settlement, along with the testimony, briefs, and oral arguments of parties, participants, and members of the public, the Commission finds that the Settlement is supported by substantial evidence, is in the public interest, and should be approved.

As the ALJ found, the Settlement provides the parties' positions on each disputed issue, references where in the record a party supported its position on each issue, and explains the parties' resolution of each disputed issue. The Commission concurs with the parties and the ALJ that all Settlement issues have been addressed in a manner supported by substantial evidence, and on terms consistent with the public interest.

For these reasons, the Commission will accept and adopt the Settlement, and will adopt the ALJ's Report—with exceptions and clarifications, as discussed below.

#### **2. Base Cost of Gas**

CenterPoint Energy's customers pay rates that reflect a base cost of gas and various adjustments to that base.

In its initial filing, CenterPoint Energy petitioned the Commission to re-establish its base cost of gas to reflect then-prevailing commodity costs, and reported having stored gas worth \$33,752,000. The Commission relied on this evaluation when it set the new base cost of gas.

On August 12, 2020, CenterPoint Energy filed updated gas costs, which reduced the value of the utility's storage inventory by \$5,303,297. But when the parties and participants filed their Settlement on September 17, 2020, they made no reference to this change in the value of CenterPoint Energy's gas inventory. Similarly, the ALJ's Report omits any recommendations related to this matter.

During the hearings before the Commission, no party or participant objected to adjusting the utility's base cost of gas to reflect reduced commodity costs. In the interest of setting just and reasonable rates, the Commission will direct CenterPoint Energy to adjust its base cost of gas to reflect an inventory that had declined in value by \$5,303,297.

### **3. Main Extensions**

CenterPoint Energy proposes to amend its service extension tariff, Section VI, subsection 4.06, as follows:

Advances for residential gas main extensions are refundable without interest for a period of up to ~~three~~ five (3–5) years from the date of completion of the main extension as additional customers are connected to the particular main extension for which the advance was made. For each such additional customer connected to the main extension within the ~~three~~ five-year period, CenterPoint Energy will refund semi-annually based upon the customer footage allowance and the cost per foot of main effective the year the main extension was installed. Each additional customer within the five-year period will pay an advance if necessary to CenterPoint Energy as determined by CenterPoint Energy's customer extension model.

The total amount refunded shall not exceed the amount of the original advance and any remaining balance at the end of ~~three~~ five (3–5) years becomes a non-refundable contribution in aid of construction.

The Department supports this change, and no party opposed it. However, the Settlement states that parties support CenterPoint Energy's "non-substantive tariff modifications and updates,"<sup>9</sup> and the ALJ's Report made no explicit reference to this matter.

To ensure clarity, the Commission explicitly approves this tariff change.

### **B. Service Quality**

The Commission will approve the schedule of CenterPoint Energy service quality filings discussed above.

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<sup>9</sup> Settlement, at 21.

### **C. TOB Stipulation**

It is evident that many parties and participants have labored to produce a TOB proposal, and then the TOB stipulation, with the goals of helping renters, reducing economic racial inequities, conserving energy, and limiting greenhouse gas emissions. And comments—written, oral, and video—reveal that these are widely held goals.

While the Commission shares these goals, it concurs with many parties and participants that the specific proposal set forth in this proceeding has not been adequately developed to warrant approval. Too many aspects of the proposal remain unresolved. Consequently the Commission will decline to adopt the parts of the ALJ's Report supporting adoption of the TOB stipulation. Specifically, the Commission will not adopt –

- Recommendation (b) (which would have approved the TOB program as stipulated to between CenterPoint Energy and the City of Minneapolis);
- Recommendation (c) (which would have initially limited the recovery of TOB program-related costs to CenterPoint Energy customers who reside within the City); and
- the ALJ's memorandum related to the TOB program.

That said, the Commission values the momentum that parties and participants have built around these goals, and will attempt to channel that momentum along new—and hopefully fruitful—paths. Proponents and opponents both proposed strategies for achieving their goals; the Commission will direct CenterPoint Energy to pursue both strategies simultaneously.

First, the Commission will direct CenterPoint Energy to initiate a new docket within the next 90 days to allow for developing CenterPoint Energy's and the City's TOB proposal in greater detail, and to provide a forum for review by interested parties and stakeholders. CenterPoint Energy must consult interested parties and stakeholders in developing the filing to initiate this docket. At a minimum, CenterPoint Energy must consult the City, the Department, the Office of Attorney General, the Energy Cents Coalition, Minnesota Community Action Partnership and Legal Services Advocacy Project, the Clean Energy Organizations, Community Power, and the Suburban Rate Authority.

To clarify the kinds of information the Commission will seek in order to evaluate the proposal, CenterPoint Energy's filing must do the following:

- A. Outline the objectives of the City's proposed pilot program.
- B. Discuss potential viable pilot options that are available to meet the City's objectives, including TOB programming, CIP programming, and combinations thereof.
- C. Recommend a pilot program that fully meets the City's objectives:
  - 1) Describe the program's scope, including participation enrollment goals.
  - 2) Identify a goal and a cap for the number of participants under the pilot program.
  - 3) Describe program costs and cost cap.

- 4) Describe how the pilot program will be administered.
  - 5) Describe the customer consent process.
  - 6) If applicable, describe the process for informing future participants.
  - 7) Describe the cost-effectiveness calculation for determining participant eligibility.
  - 8) Describe the disconnection policy for participants, if applicable.
  - 9) Describe the process to review and confirm annual energy savings and corrective steps if energy savings are not realized, if applicable.
- D. Provide for evaluating the pilot program annually, and include reports on –
- 1) participation by low-income consumers;
  - 2) the costs of the program to date;
  - 3) the number of participants served and the average cost per pilot measure installed;
  - 4) the greenhouse gas emissions avoided;
  - 5) the energy saved;
  - 6) the cost-effectiveness of the pilot program in achieving these reductions and savings; and
  - 7) viable alternatives that may have become available during the course of the pilot program.
- E. Describe any proposals for third party review of the pilot program.
- F. Describe costs borne by participants and by ratepayers, including for any program defaults or losses.
- G. Describe outreach and education plans that prioritize the participation of Indigenous, Black, Latinx, and Asian American people.
- H. Describe how the recommended pilot program would interact with CIP programs.
- I. Describe opportunities for including measures for conserving electricity, and explain how electric savings could help to qualify projects.
- J. Describe plans to expand the pilot program beyond Minneapolis.
- K. Describe the Company's proposed cost recovery, and the proposed methodology to track the program's costs and revenues.
- L. Include a draft tariff for the pilot program, if applicable.
- M. Describe all stakeholder engagement conducted since the January 14, 2021 hearing in the current docket, Docket No. G-008/GR-19-524.

Second, the Commission will direct CenterPoint Energy to develop a new low-income CIP proposal under Minn. Stat. § 216B.241, subd. 7—or expand an existing program—that focuses on the needs of renters. The Company should consult with interested parties and participants in designing the proposal. This proposal may use an on-bill repayment program, as provided for in § 216B.241, subd. 5(d). But in any event, the proposal must be subject to analysis and review by the Department, as required by Minn. Stat. § 216B.241.

#### **D. Additional Requirements**

The Commission will establish, or continue, certain filing requirements for future CenterPoint Energy rate cases, as detailed in the ordering paragraphs below. These requirements have been identified as necessary for efficient and effective review of future rate increase requests, and were not objected to by the Company at the Commission meeting.

### **VII. Financial Schedules**

Because the Settlement will be adopted without modification, the financial schedules attached to the Settlement will also be adopted without modification, and will not be reproduced here.

### **ORDER**

1. The September 17, 2020 Settlement of the application by CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Minnesota Gas for authority to increase natural gas rates in Minnesota is accepted and adopted pursuant to Minn. Stat. § 216B.16, subd. 1a(b).
2. The stipulation regarding the Tariff-on-Billing Financing proposal is rejected without prejudice.
3. The Administrative Law Judge’s Findings of Fact, Conclusions and Recommendation to Approve the Parties’ Settlement is adopted with the following exceptions and clarifications:
  - A. In setting its base cost of gas, CenterPoint Energy shall reflect the \$5,303,297 reduction in the storage inventory’s value.
  - B. CenterPoint Energy shall modify its service extension tariff, Section VI, subsection 4.06, as follows:

Advances for residential gas main extensions are refundable without interest for a period of up to ~~three~~ five (3-5) years from the date of completion of the main extension as additional customers are connected to the particular main extension for which the advance was made. For each such additional customer connected to the main extension within the ~~three~~ five-year period, CenterPoint Energy will refund semi-annually based upon the customer footage allowance and the cost per foot of main effective the year the main extension was installed. Each additional customer within the five-year period

will pay an advance if necessary to CenterPoint Energy as determined by CenterPoint Energy's customer extension model.

The total amount refunded shall not exceed the amount of the original advance and any remaining balance at the end of ~~three~~ five (3–5) years becomes a non-refundable contribution in aid of construction.

- C. The Commission declines to adopt –
  - 1) Recommendation (b) (which would have approved the Tariff-On-Bill Financing program as stipulated to between CenterPoint Energy and the City of Minneapolis);
  - 2) Recommendation (c) (which would have initially limited the recovery of TOB program-related costs to CenterPoint Energy customers who reside within the City); and
  - 3) the ALJ's memorandum related to the TOB program.
- 4. Within 30 days of the date of the final order in this docket, CenterPoint Energy shall file the following:
  - A. A revised base cost of gas, supporting schedules, and revised fuel adjustment tariffs to be in effect on the date final rates are implemented.
  - B. A summary listing of all other rate riders and charges in effect, and continuing, after the date final rates are implemented.
  - C. A computation of the Conservation Cost Recovery Charge (CCRC) based upon the decisions made herein for inclusion in the final order.
  - D. A schedule detailing the tracker balance for Conservation Improvement Programs at the beginning of interim rates; the revenues (CCRC and CIP Adjustment Factor) and costs recorded during the period of interim rates; and the CIP tracker balance at the time final rates become effective.
  - E. If final authorized rates are lower than interim rates, a proposal to make refunds of interim rates, including interest to affected customers.
- 5. Comments on all compliance filings are due 30 days after CenterPoint Energy makes the filings required by Ordering Paragraph 4. However, comments are not necessary on CenterPoint Energy's proposed customer notice.
- 6. In its next Service Quality Report, CenterPoint Energy shall provide a five-year historical look at the number of Company employees and the designated full-time equivalents performing direct customer service, maintenance, and installations in Minnesota along with their location by region in Minnesota. CenterPoint Energy shall provide a narrative

explaining any historical trends and plans for these Minnesota employees in light of recent Parent Company plans and recommendations.

7. By January 1, 2022—or in the initial filing of its next rate case, if filed before that date—CenterPoint Energy shall file the following information:
  - A. The Company’s actual operation and maintenance expenditures in Minnesota in each of the past five years, compared to the operation and maintenance expenditures that CenterPoint Energy included in the test year of this rate case.
  - B. The number of Company employees and the designated FTEs directly performing maintenance and installations in Minnesota, and their locations by region in Minnesota.
  - C. As it relates to the recent plans of CenterPoint Energy’s Parent Company, a narrative explaining any changes to operations and maintenance budgets and the number of maintenance employees, and the plan’s consequences for future budgets and personnel in Minnesota.
  - D. A narrative explaining the Parent Company’s debt-to-equity ratio, and a discussion of the anticipated consequences of this ratio, resulting from the plans identified in CenterPoint’s "Delivering With Focus" plan presented to investors on December 7, 2020, and the 2021- 2025 Capital Budget recommendations of its Business Review and Evaluation Committee or any modifications to those plans and recommendations.
  - E. A review of capital investments in Minnesota, both in aggregate and as a percent of the Parent Company's investments in capital projects, over the past five years.
  - F. An estimate and a narrative describing capital investments CenterPoint Energy plans to make, both in aggregate and as a percent of the Parent Company's investments in capital projects.
8. Within 90 days, CenterPoint Energy and the City of Minneapolis shall submit a filing in a new docket to allow for development of the CenterPoint Energy’s and the City’s proposal in greater detail and to provide a forum for review by interested parties and stakeholders. Before submitting their filing, CenterPoint Energy and the City shall continue consultation with interested parties including at a minimum, the Department, Office of Attorney General, Energy Cents Coalition, Minnesota Community Action Partnership and Legal Services Advocacy Project, the Clean Energy Organizations, Community Power, and the Suburban Rate Authority. The filing shall do the following:
  - A. Outline the objectives of the proposed pilot program.
  - B. Discuss potential viable pilot options that are available to meet the objectives, including TOB programming, CIP programming, and combinations thereof.
  - C. Recommend a pilot program that fully meets the City’s objectives:

- 1) Describe the program's scope, including participation enrollment goals.
  - 2) Identify a goal and a cap for the number of participants under the pilot program.
  - 3) Describe program costs and cost cap.
  - 4) Describe how the pilot program will be administered.
  - 5) Describe the customer consent process.
  - 6) If applicable, describe the process for informing future participants.
  - 7) Describe the cost-effectiveness calculation for determining participant eligibility.
  - 8) Describe the disconnection policy for participants, if applicable.
  - 9) Describe the process to review and confirm annual energy savings and corrective steps if energy savings are not realized, if applicable.
- D. Provide for evaluating the pilot program annually, and include reports on –
- 1) participation by low-income consumers;
  - 2) the costs of the program to date;
  - 3) the number of participants served and the average cost per pilot measure installed;
  - 4) the greenhouse gas emissions avoided;
  - 5) the energy saved;
  - 6) the cost-effectiveness of the pilot program in achieving these reductions and savings; and
  - 7) viable alternatives that may have become available during the course of the pilot program.
- E. Describe any proposals for third party review of the pilot program.
- F. Describe costs borne by participants and by ratepayers, including for any program defaults or losses.
- G. Describe outreach and education plans that prioritize the participation of Indigenous, Black, Latinx, and Asian American people.
- H. Describe how the recommended pilot program would interact with CIP programs.
- I. Describe opportunities for including measures for conserving electricity, and explain how electric savings could help to qualify projects.
- J. Describe plans to expand the pilot program beyond Minneapolis.



- K. Describe the Company's proposed cost recovery, and the proposed methodology to track the program's costs and revenues.
  - L. Include a draft tariff for the pilot program, if applicable.
  - M. Describe all stakeholder engagement conducted since the January 14, 2021 hearing in the current docket, Docket No. G-008/GR-19-524.
9. CenterPoint Energy, with input from interested participants, shall develop a new (or expand an existing) low-income CIP proposal under Minn. Stat. § 216B.241, subd. 7, focusing on renters.
- A. This proposal may use an on-bill repayment program.
  - B. The proposal must be subject to analysis and review by the Department per the requirements of Minn. Stat. § 216B.241.
10. This order shall become effective immediately.

BY ORDER OF THE COMMISSION



Will Seuffert  
Executive Secretary



This document can be made available in alternative formats (e.g., large print or audio) by calling 651.296.0406 (voice). Persons with hearing or speech impairment may call using their preferred Telecommunications Relay Service or email [consumer.puc@state.mn.us](mailto:consumer.puc@state.mn.us) for assistance.

## **CERTIFICATE OF SERVICE**

I, Leesa Norton, hereby certify that I have this day, served a true and correct copy of the following document to all persons at the addresses indicated below or on the attached list by electronic filing, electronic mail, courier, interoffice mail or by depositing the same enveloped with postage paid in the United States mail at St. Paul, Minnesota.

**Minnesota Public Utilities Commission  
ORDER ACCEPTING AND ADOPTING AGREEMENT SETTING RATES, AND  
INITIATING DEVELOPMENT OF CONSERVATION PROGRAMS FOR  
RENTERS**

Docket Number **G-008/GR-19-524**

Dated this 1st day of March, 2021

/s/ Leesa Norton

| First Name     | Last Name          | Email                                      | Company Name  | Address  | Delivery Method    | View Trade Secret | Service List Name                             |
|----------------|--------------------|--|---|--|--------------------|-------------------|---|
| Tamie A.       | Aberle             | tamie.aberle@mdu.com                       | Great Plains Natural Gas Co.                              | 400 North Fourth Street<br><br>Bismarck,<br>ND<br>585014092                | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Kristine       | Anderson           | kanderson@greatermngas.com                 | Greater Minnesota Gas, Inc.& Greater MN Transmission, LLC | 1900 Cardinal Lane<br>PO Box 798<br>Faribault,<br>MN<br>55021              | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Carolyn        | Berninger          | cberninger@mncenter.org                    | Minnesota Center for Environmental Advocacy               | 26 E Exchange St Ste 206<br><br>Saint Paul,<br>MN<br>55101                 | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| James J.       | Bertrand           | james.bertrand@stinson.com                 | STINSON LLP   | 50 S 6th St Ste 2600<br><br>Minneapolis,<br>MN<br>55402                    | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Brenda A.      | Bjorklund          | brenda.bjorklund@centerpointenergy.com     | CenterPoint Energy  | 505 Nicollet Mall<br><br>Minneapolis,<br>MN<br>55402                       | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| C. Ian         | Brown              | office@gasworkerslocal340.com              | United Association  | Gas Workers Local 340<br>312 Central Ave SW<br>Minneapolis,<br>MN<br>55414 | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| James          | Canaday            | james.canaday@ag.state.mn.us               | Office of the Attorney General-RUD                        | Suite 1400<br>445 Minnesota St.<br>St. Paul,<br>MN<br>55101                | Electronic Service | Yes               | OFF_SL_19-524_Official<br>Service List 19-524 |
| Melodee        | Carlson Chang      | melodee.carlsonchang@centerpointenergy.com | CenterPoint Energy  | 505 Nicollet Mall<br><br>Minneapolis,<br>MN<br>55402                       | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Steve W.       | Chriss             | Stephen.chriss@walmart.com                 | Wal-Mart  | 2001 SE 10th St.<br><br>Bentonville,<br>AR<br>72716-5530                   | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Generic Notice | Commerce Attorneys | commerce.attorneys@ag.state.mn.us          | Office of the Attorney General-DOC                        | 445 Minnesota Street Suite 1400<br><br>St. Paul,<br>MN<br>55101            | Electronic Service | Yes               | OFF_SL_19-524_Official<br>Service List 19-524 |

| First Name | Last Name | Email                              | Company Name                                    | Address  | Delivery Method    | View Trade Secret | Service List Name                          |
|------------|-----------|------------------------------------|---|--|--------------------|-------------------|--|
| Dean       | Dalzell   | ddalzell@caphennepin.org           | Community Action Partnership of Hennepin County | 8800 Highway 7 Ste 401<br><br>St. Louis Park, MN 55426   | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Richard    | Dornfeld  | Richard.Dornfeld@ag.state.mn.us    | Office of the Attorney General-DOC              | Minnesota Attorney General's Office<br>445 Minnesota Street, Suite 1800<br>Saint Paul, Minnesota 55101 | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Marie      | Doyle     | marie.doyle@centerpointenergy.com  | CenterPoint Energy                              | 505 Nicollet Mall<br>P O Box 59038<br>Minneapolis, MN 554590038  | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Sharon     | Ferguson  | sharon.ferguson@state.mn.us        | Department of Commerce                          | 85 7th Place E Ste 280<br><br>Saint Paul, MN 551012198   | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Edward     | Garvey    | garveyed@aol.com                   | Residence                                       | 32 Lawton St<br><br>Saint Paul, MN 55102   | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Sean       | Gosiewski | sean@afors.org                     | Alliance for Sustainability                     | 2801 21st Ave S Ste 100<br><br>Minneapolis, MN 55407   | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Annete     | Henkel    | mui@mutilityinvestors.org          | Minnesota Utility Investors                     | 413 Wacouta Street #230<br>St. Paul, MN 55101  | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
| Katherine  | Hinderlie | katherine.hinderlie@ag.state.mn.us | Office of the Attorney General-DOC              | 445 Minnesota St Suite 1400<br>St. Paul, MN 55101-2134   | Electronic Service | Yes               | OFF_SL_19-524_Official Service List 19-524 |
| Bruce L.   | Hoffarber | bhoffarber@kinectenergy.com        | Kinect Energy Group                             | 605 North Highway 169 Ste 1200<br><br>Plymouth, MN 55441   | Electronic Service | No                | OFF_SL_19-524_Official Service List 19-524 |
|            |           |                                    |   |  |                    |                   |  |

| First Name | Last Name | Email                           | Company Name   | Address   | Delivery Method    | View Trade Secret | Service List Name                             |
|------------|-----------|---------------------------------|--|---|--------------------|-------------------|---|
| Mary       | Holly     | mholly@winthrop.com             | Winthrop & Weinstine, P.A.                                 | 225 S Sixth St Ste 3500<br><br>Minneapolis,<br>MN<br>55402                  | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Nicolle    | Kupser    | nkupser@greatermngas.com        | Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC | 1900 Cardinal Ln<br>PO Box 798<br>Faribault,<br>MN<br>55021                 | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Daniel     | LeFevers  | dlefevers@gti.energy            | GTI  | 1700 S Mount Prospect Rd<br><br>Des Plains,<br>IL<br>60018                  | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Amber      | Lee       | Amber.Lee@centerpointenergy.com | CenterPoint Energy   | 505 Nicollet Mall<br><br>Minneapolis,<br>MN<br>55402                        | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Roger      | Leider    | roger@mnpropane.org             | Minnesota Propane Association                              | PO Box 220<br>209 N Run River Dr<br>Princeton,<br>MN<br>55371               | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Eric       | Lindberg  | elindberg@mncenter.org          | Minnesota Center for Environmental Advocacy                | 1919 University Avenue West<br>Suite 515<br>Saint Paul,<br>MN<br>55104-3435 | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Eric       | Lipman    | eric.lipman@state.mn.us         | Office of Administrative Hearings                          | PO Box 64620<br><br>St. Paul,<br>MN<br>551640620                            | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Michael    | Loeffler  | mike.loeffler@nngco.com         | Northern Natural Gas Co.                                   | CORP HQ, 714<br>1111 So. 103rd Street<br>Omaha,<br>NE<br>681241000          | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Alice      | Madden    | alice@communitypowermn.org      | Community Power  | 2720 E 22nd St<br><br>Minneapolis,<br>MN<br>55406                           | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Pam        | Marshall  | pam@energycents.org             | Energy CENTS Coalition                                     | 823 7th St E<br><br>St. Paul,<br>MN<br>55106                                | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |

| First Name     | Last Name                      | Email                                | Company Name   | Address  | Delivery Method    | View Trade Secret | Service List Name                             |
|----------------|--------------------------------|--------------------------------------|--|--|--------------------|-------------------|---|
| Joseph         | Meyer                          | joseph.meyer@ag.state.mn.us          | Office of the Attorney General-RUD                         | Bremer Tower, Suite 1400<br>445 Minnesota Street<br>St Paul,<br>MN<br>55101-2131 | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| David          | Moeller                        | dmoeller@allete.com                  | Minnesota Power  | 30 W Superior St<br><br>Duluth,<br>MN<br>558022093                               | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Andrew         | Moratzka                       | andrew.moratzka@stoel.com            | Stoel Rives LLP  | 33 South Sixth St Ste 4200<br><br>Minneapolis,<br>MN<br>55402                    | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Samantha       | Norris                         | samanthanorris@alliantenergy.com     | Interstate Power and Light Company                         | 200 1st Street SE PO Box 351<br><br>Cedar Rapids,<br>IA<br>524060351             | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Mike           | OConnor                        | moconnor@ibewlocal949.org            | Local 949 IBEW   | 12908 Nicollet Ave S<br><br>Burnsville,<br>MN<br>55337                           | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Greg           | Palmer                         | gpalmer@greatermngas.com             | Greater Minnesota Gas, Inc. & Greater MN Transmission, LLC | 1900 Cardinal Ln<br>PO Box 798<br>Faribault,<br>MN<br>55021                      | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Generic Notice | Residential Utilities Division | residential.utilities@ag.state.mn.us | Office of the Attorney General-RUD                         | 1400 BRM Tower<br>445 Minnesota St<br>St. Paul,<br>MN<br>551012131               | Electronic Service | Yes               | OFF_SL_19-524_Official<br>Service List 19-524 |
| Kevin          | Reuther                        | kreuther@mncenter.org                | MN Center for Environmental Advocacy                       | 26 E Exchange St, Ste 206<br><br>St. Paul,<br>MN<br>551011667                    | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Elizabeth      | Schmiesing                     | eschmiesing@winthrop.com             | Winthrop & Weinstine, P.A.                                 | 225 South Sixth Street<br>Suite 3500<br>Minneapolis,<br>MN<br>55402              | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Will           | Seuffert                       | Will.Seuffert@state.mn.us            | Public Utilities Commission                                | 121 7th PI E Ste 350<br><br>Saint Paul,<br>MN<br>55101                           | Electronic Service | Yes               | OFF_SL_19-524_Official<br>Service List 19-524 |

| First Name | Last Name      | Email                                | Company Name                         | Address  | Delivery Method    | View Trade Secret | Service List Name                             |
|------------|----------------|--------------------------------------|--------------------------------------|--|--------------------|-------------------|---|
| Janet      | Shaddix Elling | jshaddix@janetshaddix.com            | Shaddix And Associates               | 7400 Lyndale Ave S Ste 190<br><br>Richfield,<br>MN<br>55423  | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Peggy      | Sorum          | peggy.sorum@centerpointenergy.com    | CenterPoint Energy                   | 505 Nicollet Mall<br><br>Minneapolis,<br>MN<br>55402   | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| James M    | Strommen       | jstrommen@kennedy-graven.com         | Kennedy & Graven,<br>Chartered       | 150 S 5th St Ste 700<br><br>Minneapolis,<br>MN<br>55402  | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Andrew     | Sudbury        | Andrew.Sudbury@CenterPointEnergy.com | CenterPoint Energy<br>Minnesota Gas  | 505 Nicollet Mall<br>PO Box 59038<br>Minneapolis,<br>MN<br>55459-0038  | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Eric       | Swanson        | eswanson@winthrop.com                | Winthrop & Weinstine                 | 225 S 6th St Ste 3500<br>Capella Tower<br>Minneapolis,<br>MN<br>554024629                                      | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Samantha   | Williams       | swilliams@nrdc.org                   | Natural Resources Defense<br>Council | 20 N. Wacker Drive<br>Ste 1600<br>Chicago,<br>IL<br>60606  | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Joseph     | Windler        | jwindler@winthrop.com                | Winthrop & Weinstine                 | 225 South Sixth Street,<br>Suite 3500<br><br>Minneapolis,<br>MN<br>55402                                       | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |
| Jonathan   | Wolfgram       | Jonathan.Wolfgram@state.mn.us        | Office of Pipeline Safety            | Minnesota Department of<br>Public Safety<br>445 Minnesota Street<br>Suite 147<br>St. Paul,<br>MN<br>55101-1547 | Electronic Service | No                | OFF_SL_19-524_Official<br>Service List 19-524 |